

Message Text

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SUBJECT: GOI ANNOUNCES OFFSHORE PETROLEUM LICENSING TERMS

1. MINISTER FOR INDUSTRY AND COMMERCE JUSTIN KEATING, APRIL 29
ANNOUNCED IRISH GOVERNMENT TERMS FOR GRANTING OFFSHORE PETROLEUM
LICENCES. PRINCIPAL TERMS ARE THE FOLLOWING:

A. STATE HAS THE RIGHT TO PARTICIPATE IN A COMMERCIAL FIELD TO
THE EXTENT OF 50 PERCENT. WHERE STATE DOES PARTICIPATE IT WILL
PAY ITS SHARE OF EXPLORATION AND DEVELOPMENT COSTS.

B. ROYALTIES WILL BE PAYABLE ON SLIDING SCALE FROM 8 PERCENT
FOR FIELDS WHERE PRODUCTION IS LESS THAN 40,000 BARRELS PER DAY
TO 16 PERCENT FOR 350,000 BARRELS PER DAY.

C. LICENCES WILL BE VALID FOR AN INITIAL PERIOD OF SIX YEARS,
EXCEPT FOR BLOCKS WHERE THE WATER DEPTH IS OVER 600 FEET WHERE
THE PERIOD WILL BE NINE YEARS. THE MINISTER MAY RENEGOTIATE THE
TERMS OF A LICENCE FIVE YEARS AFTER COMMERCIAL PRODUCTION FROM
A FIELD HAS COMMENCED.

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D. DURING FIRST THREE YEARS OF A LICENCE PERIOD THE LICENCEE

MUST UNDERTAKE A MINIMUM EXPLORATION PROGRAM INVLOVING DRILLING OF ONE EXPLORATORY WELL FOR EACH BLOCK COVERED BY LICENCE.

E. MINISTER MAY REQUIRE LICENCE HOLDER TO UNDERTAKE TRAINING OF A REASONABLE NUMBER OF PEOPLE.

F. RATE OF DEVELOPMENT OF COMMERCIAL FIELD MUST BE APPROVED BY THE MINISTER.

G. ALL PETROLEUM MUST BE LANDED IN IRELAND AT THE PLACE DESIGNATED BY THE MINISTER, ALL ACTIVITIES MUST BE CONDUCTED FROM AN IRISH BASE AND LICENCE HOLDER SHALL USE GOODS OF IRISH ORIGIN WHERE THEY ARE COMPETITIVE.

H. ALL EXPLORATION EXPENDITURE OF A LICENCEE WILL BE CHARGEABLE AGAINST PROFITS FROM A SUCCESSFUL FIND IN THE YEAR IN WHICH THE EXPENDITURE IS INCURRED, OR IF TRADING HAS NOT COMMENCED, IN THE YEAR IN WHICH IT STARTS. DEVELOPMENT EXPENDITURE MAY BE OFFSET AGAINST PROFITS AT THE RATE OF 10 PERCENT PER ANNUM. FREE DEPRECIATION OF PLANT AND MACHINERY WILL BE ALLOWED. GOVERNMENT WILL ALLOW SEPARATION OF A COMPANY'S OIL OPERATIONS FROM OTHER ACTIVITIES FOR TAXATION PURPOSES.

2. IN A PRESS CONFERENCE APRIL 29, KEATING REVEALED THAT HE HAS FOR SOME MONTHS BEEN HAVING DISCUSSIONS WITH A NUMBER OF GROUPS OVER THE ISSUANCE OF LICENCES. HE DECLINED TO IDENTIFY THE COMPANIES INVOLVED, BUT HE SAID THAT 24 BLOCKS OF THE DESIGNATED OFFSHORE AREA ARE NOT BEING PUT UP FOR GENERAL APPLICATION.

3. KEATING ESTIMATED MAXIMUM STATE TAKE FROM COMMERCIAL DISCOVERIES WILL BE ABOUT 80 PERCENT WHILE MINIMUM TAKE WOULD BE ABOUT 65 PERCENT. HE ACKNOWLEDGED THE RIGHT OF COMPANIES TO A REASONABLE RETURN ON INVESTMENT BUT AFFIRMED THAT STATE SHOULD TAKE AS MUCH AS IT CAN GET.

4. FULL TEXT OF LICENSING AND TAXATION PROVISIONS IS BEING FORWARDED BY AIRGRAM.

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